

October 5, 2004

Dear State Employee:

Over the course of the past few weeks, I have had the opportunity to travel our great Commonwealth and hear firsthand many of your concerns regarding the 2005 Public Employee Health Insurance plan. Many have also e-mailed and taken the time to write letters or call my office. The frustration you feel is evident and is not unwarranted. I, too, have experienced great frustration in dealing with this problem.

I care about you and your family. I hear your concerns and that is why I have called the General Assembly back to Frankfort for an extraordinary legislative session. Now is the time to deal with this health insurance crisis that has been allowed to fester for years.

As a physician, I understand the need for accessible and affordable healthcare for every Kentuckian. As governor, I have come to understand the limitations the executive branch faces in the absence of a legislatively enacted budget. While many of the principles I want to include in our health insurance plans, like wellness models, preventative care and disease management programs, were included in the original plan, the administration was greatly restricted by having a limited amount of money to put toward health insurance.

When my administration worked to put together next year's plan, we were essentially "hamstrung." We had no access to restricted funds or other monetary sources that would have aided us in improving the plan. Essentially, the legislature handed the administration a financial box. Inside the box was a limited amount of dedicated dollars available to be applied toward health insurance. The dollar amount was established by the legislature, which approved a specific funding level for health insurance in the House budget bills sent to the Senate in March and April of this year.

While the Governor's Office does not have access to restricted funds and other accounts, the legislature does. And since it appears that any improvement in the original plan will include an infusion of additional dollars, I believe it was in the best interest of every teacher, bus driver, cafeteria worker, and state employee to bring the General Assembly back in to help deal with the problem.

While the General Assembly has the flexibility to address this issue, there will be no easy solutions. After all, additional tax dollars spent for public employee health insurance plans means the legislature has fewer tax dollars to spend on other necessary services that citizens around our great Commonwealth rely upon every single day.

As it turns out, we were facing nearly a \$1 billion price tag for health insurance had we not changed the plan. It was simply an unsustainable mess. There were few incentives to encourage wellness. No rewards for making healthy choices and few initiatives to deal with disease managements or early detection were available. It is for these reasons that it is crucial we adopt a new strategy and focus for dealing with public employee health insurance.

While most of the conversation now centers on the legislature and its financial flexibility, at some point the focus has to shift to health and wellness. Unfortunately, the occurrences of serious illnesses and disease are much higher in Kentucky than in surrounding states and across the nation. We are well above regional and national averages in the numbers of prescriptions each year, occurrence of heart disease, asthma and diabetes—just to name a few. In order to get some degree of control over skyrocketing health care costs we must determine how to control what's driving the costs upward.

With the legislature coming back into session, I am hopeful that we will be able to work in the spirit of bipartisanship toward a solution that will be beneficial for every teacher and state employee. You must know that I hold you and the service you provide to our Commonwealth in the highest regard.

Again, let me say that I know the present circumstances are frustrating for you; they are for all of us. I look forward to the special session as we work together to provide a better health insurance product to you, our valuable teachers and state employees.

Thank you for patience and understanding as we address this issue of great concern to all of us. I also want to thank you for your significant contributions to our Commonwealth. It is an honor to serve as your governor.

Sincerely,

A handwritten signature in blue ink, reading "Ernie Fletcher". The signature is written in a cursive, flowing style.

Ernie Fletcher